

Message Text

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COME-00 EB-07 EA-07 FRB-03 INR-07 NEA-10 NSAE-00

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C O N F I D E N T I A L SECTION 01 OF 03 OECD PARIS 33426

E.O. 11652: GDS

TAGS: ETRD, EFIN, OECD

SUBJECT: MEETING OF OECD EXPORT CREDITS GROUP
NOVEMBER 9

1. SUMMARY: FIRST MEETING OF EXPORT CREDITS GROUP
SINCE UNILATERAL DECLARATIONS RESULTED IN FULL EXCHANGE
OF VIEWS ON ALL ISSUES OF IMPROVED COOPERATION IN
EXPORT CREDIT FIELD AND ESTABLISHED ADOPTION BY OTHER
DELS OF GUIDELINES ACCEPTED BY US AND OTHER MAJOR DELS
AS KEY OBJECTIVE FOR FUTURE WORK. AUSTRALIA, SWEDEN,
FINLAND, AND NORWAY INDICATED READINESS TO JOIN CON-
SENSUS NOW OR IN NEAR FUTURE. FOLLOWING LEADERSHIP
OF US, THERE WERE STRONG INDICATIONS OF WILLINGNESS TO
NEGOTIATE CONVERGENCE OF POLICIES AND PRACTICES IN
ADDITIONAL SECTORS BUT JURISDICTIONAL DISPUTE BETWEEN
EC COMMISSION AND MEMBER STATES REMAINS OBSTACLE TO
FURTHER MOVEMENT. TACIT AGREEMENT WAS REACHED TO
ELIMINATE LOCAL COST FINANCING FOR EXPORTS TO DE-
VELOPED COUNTRIES. IN RESPONSE TO US SUGGESTION GROUP
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AGREED TO COLLECT DATA ON LEVELS OF EXPORT FINANCING

INCLUDING PROJECTIONS FOR 1977. ECG ALSO DECIDED TO IMPROVE ITS DATA ON CREDITS TO EAST BLOC IN CONTEXT OF NEW OECD EFFORT ON EAST-WEST ISSUES. ON WHOLE NEW CHAIRMAN MORLEGHEM OF BELGIUM DID EXCELLENT JOB OF GUIDING DISCUSSIONS. NEXT MEETING OF GROUP HAS BEEN SCHEDULED FOR APRIL 19-20, 1977. END SUMMARY.

2. EXPORT CREDIT POLICY CONSENSUS: US DEL FORMALLY SUBMITTED TEXTS OF US AND EXIMBANK UNILATERAL DECLARATIONS TO GROUP, EMPHASIZED IMPORTANCE WHICH US ATTACHES TO SUBSTANCE OF THIS ACHIEVEMENT, AND URGED OTHER MEMBERS OF ECG TO ADOPT SIMILAR GUIDELINES. HE ALSO EXPRESSED HOPE THAT ADDITIONAL SECTORS COULD BE ADDED TO EXISTING CONSENSUS AND THAT ONE YEAR TRIAL PERIOD WOULD BE STEPPING STONE TO FULL SCALE AGREEMENT. RESPONSE BY OTHERS WAS ENCOURAGING: AUSTRALIA STATED THAT IT HAD DECIDED TO JOIN CONSENSUS AND SWEDEN SAID IT WOULD JOIN IF SUBSTANTIAL NUMBER OF OTHER MEMBERS DID. FINLAND AND NORWAY EXPECTED TO BE ABLE TO SAY WHETHER THEY COULD ADOPT GUIDELINES WITHIN MONTH OR TWO. FRENCH MADE RITUAL STATEMENT TO EFFECT THAT THEY HAD NOT UNDERTAKEN ANY INTERNATIONAL ENGAGEMENT. ON WHOLE GROUP WELCOMED US PRESENTATION AND POSITIVE STATEMENTS BY OTHERS, AND AGREED MEMBERS NOT YET PARTY TO CONSENSUS SHOULD GIVE SECRETARIAT INDICATION OF STAGE OF THEIR THINKING ON THIS QUESTION AT AN EARLY DATE.

3. PRIOR CONSULTATION PROCEDURE (PCP): US AND JAPAN STATED THEIR POSITIONS WITH RESPECT TO JOINING EXISTING PRIOR CONSULTATION PROCEDURE HAD NOT CHANGED. EC COMMISSION SAID BROADENING OF MEMBERSHIP WAS PRECONDITION FOR ANY MODIFICATIONS OF PROCEDURE. US SAID THAT EXISTING PROCEDURE HAD BEEN OVERTAKEN BY EVENTS AND THAT KEY TO DEVELOPING OECD-WIDE PCP WAS FOR BROADER PARTICIPATION IN CONSENSUS REACHED BY MAJOR DELS. WHEN THIS HAD OCCURRED US COULD CONSIDER JOINING A PROCEDURE THAT WAS FULLY IN TUNE WITH UNILATERAL DECLARATIONS. GROUP AGREED THESE TWO QUESTIONS WERE CLOSELY LINKED AND ASKED DELS TO PRO-

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VIDE VIEWS ON WHAT NEW PCP SHOULD LOOK LIKE TO SECRETARIAT SO THAT LATTER'S PAPER AND PROPOSALS ON THIS QUESTION COULD BE REVISED FOR NEXT MEETING. IT WAS LEFT TO THE SECRETARIAT TO DETERMINE WHETHER AN EXPERTS MEETING SHOULD BE CALLED TO ASSIST IN THIS PROCESS.

4. EXCHANGE OF INFORMATION SYSTEM: CANADA, SPAIN,

AND NETHERLANDS CONTINUED THEIR REFUSAL TO OFFICIALLY PARTICIPATE IN THE INFORMAL EXTENSION OF SYSTEM TO COVER FINANCING COSTS. CANADA INDICATED, HOWEVER, THEY WOULD CONTINUE TO ANSWER INQUIRIES ON A RECIPROCAL BASIS. ITALY COMPLAINED THAT SYSTEM LACKED RECIPROCITY BECAUSE US COULD ONLY GIVE ESTIMATES FOR PRIVATELY FINANCED PORTIONS OF CREDITS. US DEL URGED HOLDOUTS TO RECONSIDER POSITIONS AND SAID US FOUND SYSTEM TO

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BE USEFUL AND TO BE IMPROVING AS EXPERIENCE WAS GAINED. UK AND FRANCE ALSO INDICATED THAT THEIR EXPERIENCE WITH SYSTEM WAS SATISFACTORY.

5. SECTORS: GROUP RECOGNIZED THAT NO PROGRESS COULD BE MADE ON SECTORS ISSUES WITH EC JURISDICTIONAL DISPUTE STILL UNRESOLVED. US DEL INDICATED HOWEVER THAT THIS WAS AREA OF EMPHASIS FOR US, AND THAT US EN-

VISAGED POSSIBILITY OF PACKAGE DEAL INVOLVING AIRCRAFT, NUCLEAR POWER AND POSSIBLY CONVENTIONAL POWER, AND STEELMILL SECTORS, WITH 8 MINIMUM INTEREST RATE. US DEL ALSO SUGGESTED CONSIDERATION OF BROADENING GROUND STATION SECTOR AGREEMENT TO INCLUDE SATELLITES. JAPAN SAID IT WAS WILLING TO MOVE FORWARD ON SECTORS ON WHICH WORK HAD ALREADY BEEN DONE AND FAVORED 7.5 MINIMUM INTEREST RATE FOR AIRCRAFT AND POWER STATIONS. CANADA THOUGHT IT WAS PREMATURE TO FORMALIZE SECTOR AGREEMENTS FOR MOMENT BECAUSE GOC WISHED TO SEE FOR-CONFIDENTIAL

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MULA EMBODIED IN CONSENSUS CHANGED TO ALLOW TRADE OFF OF HIGHER RATES FOR LONGER MATURITIES (THE FORMER GEBERTH PROPOSAL).

6. LOCAL COSTS: SUBSTANTIAL PROGRESS WAS IMPOSSIBLE IN VIEW OF EC JURISDICTIONAL DISPUTE AND GROUP AGREED TO RETURN TO QUESTION AT NEXT MEETING. US INDICATED IT FAVORED ABOLISHING LOCAL COST FINANCING ENTIRELY. DELS WHICH SPOKE, PARTICULARLY JAPAN, THOUGHT IT WOULD HAVE TO BE RETAINED FOR LDCS WITH SOME SUGGESTING EASTERN EUROPE AS WELL. HOWEVER, TACIT APPROVAL WAS GIVEN TO PROPOSAL TO ELIMINATE LOCAL COST SUPPORT ENTIRELY ON EXPORTS TO INDUSTRIALIZED COUNTRIES.

7. LEVELS OF FINANCING: THIS ITEM WAS ADDED TO AGENDA AT REQUEST OF US DEL, WHO EXPLAINED US THOUGHT IT WOULD BE USEFUL FOR GROUP TO GET OVERALL PICTURE OF WHERE OECD MEMBERS STOOD ON EXPORT FINANCING BY COMPARING, FOR EXAMPLE, PROPORTIONS OF EXPORTS ASSISTED BY CREDITS OVER TIME. HE SUGGESTED SECRETARIAT COLLECT INFORMATION ON CREDIT LEVELS FOR 1973-76 AND ESTIMATES FOR 1977. SEVERAL DELS EXPRESSED STRONG DOUBTS THAT DATA COULD BE USED TO DRAW ANY CONCLUSIONS BECAUSE OF YEAR-TO-YEAR FLUCTUATIONS AND DIFFERING NATURES OF COUNTRIES' EXPORT CREDIT SYSTEMS, BUT GROUP AGREED TO HAVE DATA COLLECTED AND TAKE UP SUBJECT AGAIN AT NEXT SESSION.

8. EAST-WEST: ECG HAD FIRST EXCHANGE OF VIEWS ON XCSS-MANDATED EAST-WEST STUDIES. US DEL SUGGESTED THAT THE ECG DISCUSS ITS ROLE IN THESE STUDIES IN ORDER TO MAKE RECOMMENDATION TO TRADE COMMITTEE DISCUSSION TO BE HELD AT END OF NOVEMBER, AND PROPOSED THAT MOST LOGICAL BEGINNING FOR ECG WOULD BE TO IMPROVE INFORMATION ALREADY COLLECTED BY BREAKING DOWN CREDITS BY COUNTRY OF DESTINATION. AT FRENCH SUGGESTION GROUP AGREED TO DO THIS FOR LDCS AS WELL AS FOR EAST BLOC. SECRETARIAT WILL WORK OUT DETAILS

OF STATISTICAL EXERCISE WITH DELS AND HAS INDICATED
IT MAY CALL MEETING OF EXPERTS FOR THIS PURPOSE IN
DECEMBER.
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9. COST ESCALATION INSURANCE: ECG HAD PROTRACTED
DISCUSSION OVER WHETHER IT SHOULD ADOPT ACTIVE WORK
PROGRAM ON THIS QUESTION (AS FAVORED BY SWEDEN, JAPAN,

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AND CANADA) OR MORE PASSIVE APPROACH OF WAITING TO
SEE WHAT HAPPENED IN GATT EXAM (FAVORED IN GENERAL BY
OTHERS). FRENCH DEL WAS DETERMINEDLY NEGATIVE,

INSISTING THAT EXISTING DATA WAS SUFFICIENT AND THAT IF MORE DATA WERE COLLECTED IT SHOULD INCLUDE INFORMATION ON INFLATION RATES BY COUNTRY AND PRODUCT GROUPS. CANADIANS WERE EQUALLY ADAMANT THAT MEMBERS WITH THESE SCHEMES SHOULD PROVIDE INFO TO ENABLE OTHERS TO JUDGE SUBSIDY EFFECT WHETHER OR NOT ECG EVENTUALLY DECIDED TO ENGAGE IN IN-DEPTH STUDY. ECG FINALLY AGREED TO PUT QUESTION TO TRADE COMMITTEE AS TO WHETHER WORK SHOULD GO MUCH FURTHER GIVEN FACT OF ACTIVE CONSIDERATION IN GATT AND WHETHER DELS SHOULD PROVIDE ECG WITH WHATEVER DATA THEY EVENTUALLY PROVIDED TO GATT ON THEIR SCHEMES.

10. FUTURE MEETINGS: ENTHUSIASM ON PART OF SECRETARIAT AND SOME DELS FOR MORE FREQUENT MEETINGS OF CONFIDENTIAL

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GROUP TO ACCELERATE WORK WAS COUNTERED BY OTHERS' (INCLUDING US DEL'S) REMINDERS THAT RESOLUTION OF EC JURISDICTIONAL DISPUTE WAS KEY TO PROGRESS IN MANY AREAS. US DEL POINTED TO POTENTIAL FOR POSITIVE ACHIEVEMENTS IN BROADENING AND CONSOLIDATING THE CONSENSUS AND URGED SPEEDY RESOLUTION OF JURISDICTIONAL DISPUTE IN ORDER TO CONTINUE PROGRESS. CANADA JOINED THIS VIEW. ECG AGREED TO HOLD NEXT MEETING APRIL 19-20 AND TAKE STOCK AT THAT TIME OF UTILITY OF HAVING TWO MEETINGS RATHER THAN ONE MEETING IN REMAINDER OF 1977. COMMENT: MORLEGHEM DEMONSTRATED FIRMNESS AND SKILL AND SHOWS PROMISE OF BEING AN EXCELLENT CHAIRMAN. KATZ

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